

**NAVAL POSTGRADUATE SCHOOL  
MONTEREY, CALIFORNIA**



**THESIS**

**SAUDI ARABIA: A KINGDOM IN DECLINE**

by

James R. Midkiff  
September, 1995

Thesis Advisor: Glenn E. Robinson

Approved for public release; distribution is unlimited.

DTIC QUALITY INSPECTED 1

19960220 035

Classification of Thesis: Unclassified/A

<b>REPORT DOCUMENTATION PAGE</b>			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE September 1995		3. REPORT TYPE AND DATES COVERED Master's Thesis
4. TITLE AND SUBTITLE SAUDI ARABIA: A KINGDOM IN DECLINE			5. FUNDING NUMBERS	
6. AUTHOR(S) James R. Midkiff				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.			12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words) This thesis argues that the regime in Saudi Arabia is not prepared to survive a lengthy depression in the oil market. The thesis makes three specific arguments to support this contention. First, I show that Saudi Arabia is a rentier state. That is, unlike most states in the West, the Saudi state relies on external rents for revenues, not internal taxation. Rather than extracting resources from its citizenry, the state merely redistributes resources that come from abroad via the sale of oil. Huge oil revenues permitted the state to allow relations with its own society - relations forged through tribal wars and nascent extraction - to wither. Second, I demonstrate that the on-going depression of the oil market has already weakened the regime, as the growing strength of the Islamist movement indicates. Third, I argue that the oil market will remain weak for years to come, further undermining the Saudi royal family.  I conclude by examining the implications for American interests. I argue that, while certain measures should be taken, the United States should not overreact to internal instability in Saudi Arabia. Like in "revolutionary" Iran, oil will continue to be sold.				
14. SUBJECT TERMS Saudi Arabia, Political stability			15. NUMBER OF PAGES 92	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL	



Approved for public release; distribution is unlimited.

**SAUDI ARABIA: A KINGDOM IN DECLINE**

James R. Midkiff  
Lieutenant, United States Navy  
B.S., United States Naval Academy, 1990

Submitted in partial fulfillment  
of the requirements for the degree of

**MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS**

from the


**NAVAL POSTGRADUATE SCHOOL**

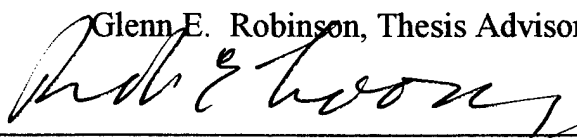
**September 1995**


Author:

  
James R. Midkiff

Approved by:

  
Glenn E. Robinson, Thesis Advisor

  
Robert E. Looney, Second Reader

  
Frank M. Teti, Chairman  
Department of National Security Affairs



## **ABSTRACT**

This thesis argues that the regime in Saudi Arabia is not prepared to survive a lengthy depression in the oil market. The thesis makes three specific arguments to support this contention. First, I show that Saudi Arabia is a rentier state. That is, unlike most states in the West, the Saudi state relies on external rents for revenues, not internal taxation. Rather than extracting resources from its citizenry, the state merely redistributes resources that come from abroad via the sale of oil. Huge oil revenues permitted the state to allow relations with its own society - relations forged through tribal wars and nascent extraction - to wither. Second, I demonstrate that the on-going depression of the oil market has already weakened the regime, as the growing strength of the Islamist movement indicates. Third, I argue that the oil market will remain weak for years to come, further undermining the Saudi royal family.

I conclude by examining the implications for American interests. I argue that, while certain measures should be taken, the United States should not overreact to internal instability in Saudi Arabia. Like in "revolutionary" Iran, oil will continue to be sold.



## TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. THE TRANSFORMATION OF SAUDI ARABIA INTO A RENTIER... STATE	5
A. PRE-ECONOMIC BOOM ERA.....	5
B. ECONOMIC BOOM ERA 1973-1983.....	10
C. PROBLEMS IN A POST-RENTIER STATE: ECONOMIC ..... BUST ERA 1983-1990	18
III. POLITICAL ISLAMISM IN SAUDI ARABIA.....	23
A. WHO ARE THE ISLAMISTS?.....	26
B. WHY ARE THEY ANGRY?.....	32
C. HOW DID THIS HAPPEN?.....	35
D. WHAT ARE THE ISLAMISTS DEMANDING?.....	38
E. HOW DID THE KING RESPOND?.....	44
IV. PROSPECTS FOR THE OIL MARKET.....	51
A. BASIC NATURE OF THE OIL MARKET.....	51
B. SAUDI POLICY.....	53
C. MIDDLE EAST POLITICAL CHANGES.....	55
D. SHORT TERM PRICES.....	55
E. FACTORS THAT MAY KEEP OIL PRICES DOWN.....	56
F. WHY IRAQ WILL REMAIN A THREAT.....	58



V. CONCLUSIONS.....	63
A. POSSIBLE SCENARIOS.....	63
B. CONSEQUENCES FOR OTHER COUNTRIES.....	65
1. GCC states.....	65
2. United States.....	65
C. IMPLICATIONS FOR AMERICAN POLICY.....	67
APPENDIX A SAUDI ARABIAN GDP.....	71
APPENDIX B ISLAMIC PETITION OF MAY 1990.....	72
APPENDIX C PROFILE OF ISLAMIST ELITE.....	74
APPENDIX D 1990 POPULATION GRAPH.....	75
APPENDIX E PROFILE OF THE MAJLIS AL-SHURA.....	76
APPENDIX F CRUDE OIL PRODUCTION OF VARIOUS COUNTRIES....	77
BIBLIOGRAPHY.....	79
INITIAL DISTRIBUTION LIST.....	81

## ACKNOWLEDGMENTS

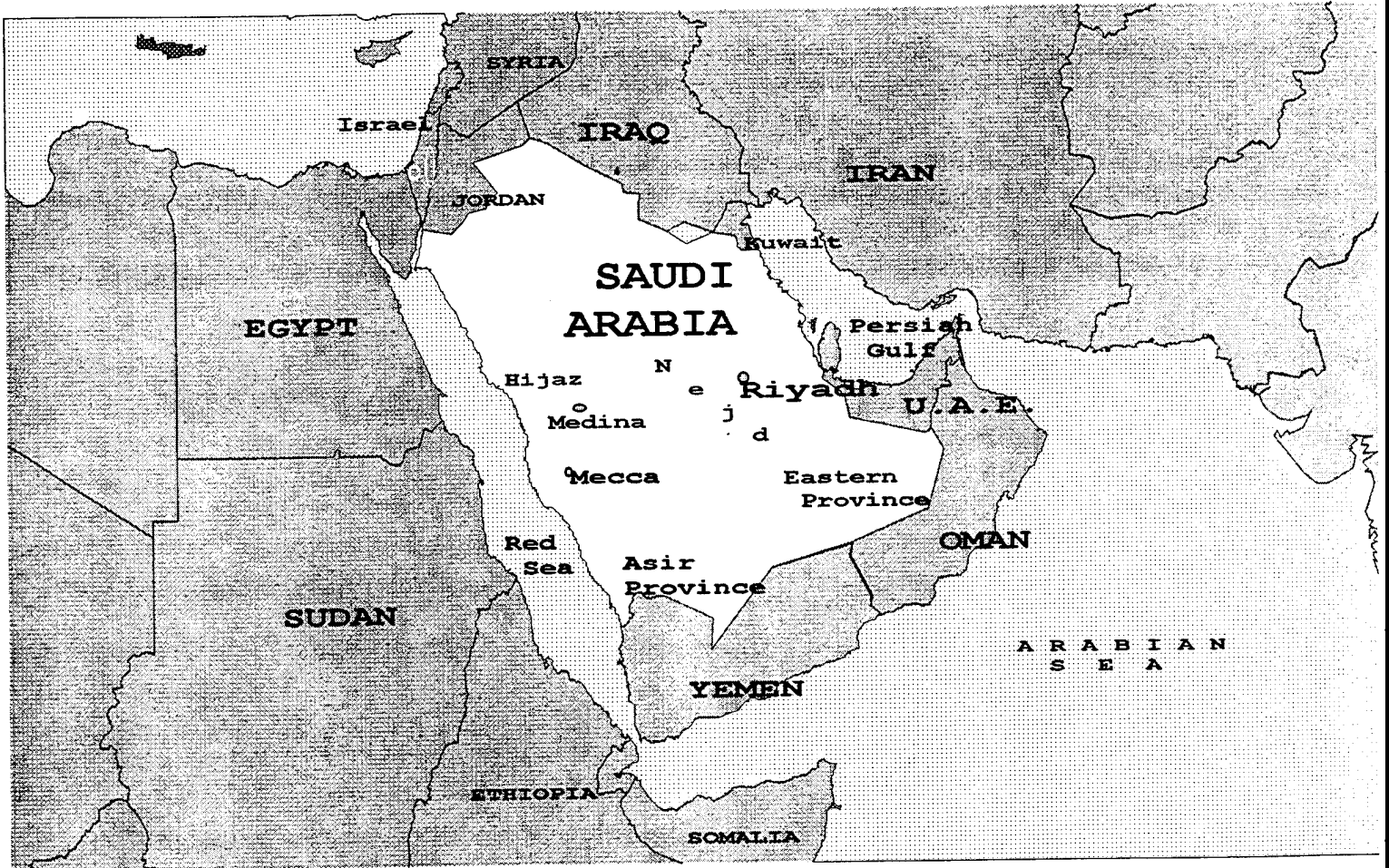
For their assistance in the preparation of this thesis, I would like to express my appreciation to Dr. Glenn E. Robinson and Dr. Robert E. Looney. Also, I would like to thank the other professors in the Middle East department at the Naval Postgraduate School, Prof. Terry Johnson and Dr. Ahmad Ghoreishi. Your classes were informative and insightful, and the time and patience spent answering my questions was greatly appreciated.

I would also like to thank my wife and editor-in-chief, Lisa, for her moral and technical support throughout this entire thesis process.

Finally, the views, opinions, and conclusions in this thesis are those of the author and should not be construed as the position of the Department of Defense, United States Navy or any other agency.

# SAUDI ARABIA

## A KINGDOM IN DECLINE?



## I. INTRODUCTION

In the past, analysts have falsely predicted the demise of the Saudi regime, especially during the Pan-Arabist movement in the 1960s. Yet even at the peak of Pan-Arabist leader Gamal Abdul Nasser's popularity, the atmosphere that existed was not as potentially dangerous for the ruling monarchy as it is at present. Historically, when Saudi leaders were faced with political problems, they were able to throw large sums of money at them until they went away. Today the Saudi regime may be on the verge of collapse because their vast surpluses accrued from oil revenues are gone, and the regime is no longer capable of buying off potential problem groups.

The purpose of this paper is to examine how decreasing oil prices have affected the political stability of the ruling regime in Saudi Arabia. Other factors both internally and externally affect political stability in the kingdom, but the most significant is the decreasing price of oil. Over two decades have passed since the oil embargo of 1973 transformed Saudi Arabia into one of the richest countries in the world. One of the most significant consequences of that embargo was that it transformed the kingdom into a distributive (rentier) state and allowed extractive institutions and capabilities to erode away. In Chapter II, I analyze how vast oil revenues created a huge government bureaucracy and allowed it to distribute benefits

(lucrative government jobs and subsidies) to its citizens, especially those who were friendly to the regime. This vast wealth permitted the monarchy to displace the old merchant class, who were historically rivals, with a new commercial class drawn from supporters of the regime in the Nejd region. Ironically, instead of building a foundation of stable supporters for the monarchy, this new class proved to be detrimental to the regime in the post-rentier economic-bust period of the 1980s.

The Persian Gulf War gave impetus to other internal threats to the regime. In Chapter III, I discuss how King Fahd was forced to loosen his grip on society to gather support for Shaykh Ibn Baz's fatwa that allowed foreign troops on Saudi soil to defend the country from advancing Iraqi forces. Consequently, some groups were allowed to voice their opposition about the regime's policies, and since political organization is outlawed throughout the country and forbidden everywhere but inside the mosques, the most organized and viable threat is the Islamists, who represent the most significant political opposition.

Many citizens feel that the social contract that they share with the government is being broken. The relationship between the monarchy and its citizens is unique to the rentier state. In most Western countries, the state taxes its citizens in return for benefits provided by the state and some say in governmental politics. The inverse is true in Saudi Arabia. There, citizens expect taxes from the government in the form of state benefits

and handouts in return for political acquiescence and support for the ruling regime.

In Chapter IV, I discuss the prospects for the oil market. Most analysts agree that the price of oil will remain moderate or decrease in the foreseeable future. If these experts are right, then the monarchy will be forced to react to the opposition groups calling for more political participation. In Chapter V, I analyze the probable scenarios that could happen in Saudi Arabia, and I give suggestions for American policies that would not upset the political stability in the kingdom any further.

Let us now turn to a more detailed presentation of the preceding assertions.



## II. THE TRANSFORMATION OF SAUDI ARABIA INTO A RENTIER STATE

This chapter is divided into three sections: the first section gives a brief overview into historical Saudi Arabian society prior the oil boom years; the second covers the period between 1973 and 1983 and focuses on changes during institutional structure and business-government relations in the economic boom; and the third covers the years between 1983 and 1990, when a decline in external capital inflows precipitated a severe recession that placed new demands on the state and tested the strength of boom-time coalitions. The "boom" pattern stresses the institutional and political relationships that emerge in response to external capital inflows, while the "bust" pattern demonstrates how institutional and political relationships forged during the boom years break down in times of crises, conditioning policy outcomes in unexpected ways.<sup>1</sup>

### A. PRE-ECONOMIC BOOM ERA

Before the discovery of oil during the 1930s, Saudi Arabia was regarded as one of the poorest regions in the world. Not only was it lacking in natural resources and wealth, but it also was surrounded by vast deserts that kept it isolated from the rest of the world. In clear contrast to the gulf shaykhdoms,

---

<sup>1</sup>Kiren Aziz Chaudhry, "The Price of Wealth: Business and State in Labor Remittance and Oil Economies." International Organization. Vol. 43, No. 1, Winter 1989, 103.



Iraq or Jordan, the Saudi state was never formally colonized. King Abd al-Aziz did however rely heavily upon British subventions and the royalty payments of American oil companies to maintain his treasury in the period before World War II. His major source of indigenous revenue, the pilgrimage tax, was greatly reduced during the worldwide depression of the 1930s, when the number of pilgrims coming to the holy cities declined sharply. The King's British adviser, H. St. John Philby, quotes him as saying during this period of financial crisis, "If anyone offers me a million pounds now, he would be welcome to all the concessions he wants in my country."<sup>2</sup> The Arabian peninsula was as it had been for a thousand years, an impoverished region consisting of independent tribes and lacking central control.

### **1. Reasons for Change**

Two unforeseeable factors were responsible for the change in Saudi Arabian society. These factors were the brilliant charismatic leadership of Abd al Aziz al Saud, from 1902 until his death in 1953, and the discovery of the world's largest proven reserves of petroleum. Without these two elements, the territory of Saudi Arabia may have remained the home of fractious nomads and tradition-bound peasants and townsmen, one of the most

---

<sup>2</sup>F. Gregory Gause III. Oil Monarchies: Domestic and Security Challenges In The Arab Gulf States. (New York: Council of Foreign Relations Press, 1994) 44.

backward regions of the Arab world. Abd al Aziz united the deserts and the towns by linking together tribal loyalties with Islamic institutions. The fortuitous discovery of oil provided the resources to secure the new kingdom for his heirs and to begin its transformation into a modern society unlike any before known in its history.<sup>3</sup>

The alliance between the Saudis and the Wahhabis accompanying the founding of the nation centered on symbols and institutions indigenous to Arabia, tribalism and Islam. The exploitation of oil brought to the peninsula ideas and influences totally foreign to its history that precipitated the modernization process of the primitive economy in Saudi Arabia. Foreign workers from the West and the rest of the world began arriving in Saudi Arabia, bringing with them foreign ideas and philosophies. New types of conflicts arose from ARAMCO (Arabian-American Oil Company) workers who went on strike twice. Once in 1953, when workers demanded better working conditions. And in 1956, when workers demonstrated against the government which was intent on renewing the lease which gave the United States access to Dhahran Air Base for its forces.<sup>4</sup> In short, the discovery of oil ended the kingdom's isolation by bringing it into the

---

<sup>3</sup>Richard F. Nyrop, ed. Area Handbook for Saudi Arabia. Washington DC: U.S. Government Printing Office, 1993, 131.

<sup>4</sup>"Challenge to the House of Saud." The Economists. October 8, 1994, Vol. 333, no. 7884, p. 41.

twentieth century.

## **2. Extractive Institutions in Pre-boom Society**

In the decade before the oil boom, the economic policies of Saudi Arabia were typical of many third world developing countries: imports were restricted; import substitution projects were initiated in the western province of the Hijaz; indirect taxes were expanded; and periodic temporary taxes were imposed to meet the military needs of the state. Up until 1969, government extractive capacities were primitive compared to Western governments but they did exist and were expanding. Custom duties were a valuable source of revenue. The zakat tax was being collected in the Hassa and Asir provinces. Even non-sedentary tribes from the central province of the Nejd were pursued and taxed. In the urban areas of the Hijaz, a uniform tax rate based on the previous Hashemite system was being introduced. The extractive apparatus of the Saudi state in this initial period was diverse, reflecting the many divisions within the pre-monetary economy.<sup>5</sup>

## **3. Political Opposition**

The population of Saudi Arabia is divided into many different regions. The two dominant groups that are focused on in this chapter are the tribal warriors from the Nejd region and the old merchant class of the Hijaz region.

---

<sup>5</sup>Chaudhry, 119.

Even after the Saudis from the Nejd region conquered and consolidated the peninsula, the Hijazi merchants were an important component in Saudi society. The Nejdi tribal supporters tended to dominate the bureaucracy, but the Hijazis worked as administrators. The merchants in the Hijaz region also participated in the lucrative Red Sea trade, and they serviced the Hajj economy. This self-regulated and well-organized middle class continued to dominate commerce all the way up until the mid-1970s.

Historically, the Hijazi merchants opposed first the Hashemite rulers and then the Saudis because of irregular taxes in the western provinces of Jeddah, Mecca and Medina. The Hijazis felt they were carrying the burden of paying state taxes and not receiving their due benefits. Well into the 1960s, the Hijazi merchants resisted the domination of the Al Saud family and demanded representation (granted in the reign of King Abd al Aziz and withdrawn by King Feisal), government accountability, and a say in the way that state funds were spent. The "Hijaz for the Hijazis" movement was the longest lasting opposition to the rule of the Al Saud, though not the most violent. Significantly, at the onset, the old merchant class of Saudi Arabia was not powerless or unorganized. Indeed, it was able to extract concessions on such crucial issues as representation and

commercial law.<sup>6</sup>

In sum, before Saudi Arabia was transformed into a rentier state, extractive and regulatory institutions were not only present in the kingdom, but expanding. Prior to the early 1970s, the central government of Saudi Arabia was engaged in the difficult process of extending control over their national territories through a combination of expanding administration, taxation, and infrastructure and soliciting the cooperation of merchants and tribal leaders. In this case, government was dominated by one group and business by another significant group.

## **B. ECONOMIC-BOOM PERIOD 1973-1983**

### **1. Consequences of a Rentier Economy**

The oil boom originated after the 1973 War, when the Saudis and other members of OPEC conducted a boycott against the Western countries who supported Israel. Oil revenues in Saudi Arabia quickly jumped from \$2.7 billion in 1972 to \$22.6 billion in 1974. The immediate effects that followed were huge government surpluses and large increases in expenditure. Between 1973 and 1982, salaries and benefits, as well as current expenditure, grew thirteen-fold.<sup>7</sup>

---

<sup>6</sup>Ibid.

<sup>7</sup>Giacomo Luciani, ed. The Arab State. (Berkeley: University of California Press, 1990,) 136.

The primary result of these vast oil revenues, has been the transformation of Saudi Arabia into a rentier state. A rentier state is one in which government relies for the lion's share of its revenues on direct transfers from the international economy, in the form of oil revenues, foreign aid, or other kinds of direct payments. The political effects of the rentier type of economy are enormous. The relationship between state and the rest of society is much different from anything known in the past. As a result, a new social contract between the regime and its citizens was formed.

A number of very specific political precepts of the social contract flow from the rentier character of Saudi Arabia. First, the government is the dominant player in the local economy. Even nominal private sector activities, like the construction and retail sectors, depend upon government spending. Access to capital controlled by the government and government licenses require permission from the state before business can be accomplished. By exercising such a large role in the economy, government can vest a wide array of private interests in its stability, privileging its allies and punishing its enemies. Second, governments can provide a wide array of services directly to citizens, in the form of free or heavily subsidized education, health care, housing, consumer goods, and services. Again, the intention is to provide benefits with the aim of gaining political loyalty or denying such benefits (through deportation

or deprivation of citizenship) to those who oppose the government.

Third, the vast resources at the disposal of most of the Saudi monarchy have allowed it to build up large government apparatuses, in both the civil and military areas. Government jobs are another form of patronage distributed to citizens. The expanded state apparatus also provides the government with more levers to control society, through oversight functions of the civil bureaucracy, as well as through the secret police and military. Since 1950, the number of ministries in the Saudi bureaucracy has grown from four to 20, and over 40 public authorities and corporations have been established since 1950. Civil service employees, who numbered no more than a few hundred in 1950, increased to about 37,000 in 1962-3, to 85,000 in 1970-71 and to over 245,000 in 1979-80.<sup>8</sup>

For the monarchy, this massive bureaucracy serves as a respectable and modern-looking method of distributing part of the revenues. Unlike traditional, straightforward handouts, bureaucracy provides a more dignified way of sharing the wealth.

Through the creation of a bureaucracy, the rulers of the oil states are paying the citizen - by way of lucrative government employment - in return for a cessation of the old tribal wars, for tacit acceptance of the political supremacy of one tribe or

---

<sup>8</sup>Luciani, 132.

fraction of a tribe (the royal or princely family) over the others. What the central administration does for the modern urban sector, the system of local subsidies achieves for the rural and nomadic areas. The taxation function is thus reversed in the oil state: instead of the usual situation, where the state taxes the citizen in return for services, here the citizen taxes the state, by acquiring a government payment, in return for staying quiet, for not invoking tribal rivalries and for not challenging the ruling family's position.<sup>9</sup>

The relationship that is being established between the official and the state is quite complex. On the one hand he knows that the state (or more specifically the ruling family) needs his acquiescence; on the other he knows that he needs a public post not only for the financial benefits it offers him, but also for the contacts it provides (which are indispensable for the conduct of private business). In the short run, the official is tempted to feel that he is in the stronger position, that the state needs him more than he needs the state and that he can bargain with the state over the price of acquiescence.

Finally, the nature of the rentier economy has directly and indirectly weakened, if not destroyed, the economic basis of groups that in the past were sources of potential opposition to the state; most notably tribes and labor organizations.

---

<sup>9</sup>Luciani, 144.



Concentration of resources in the hands of the state has allowed ruling families to consolidate power and political positions in their hands to an extent unknown in previous generations.<sup>10</sup>

Hence, it is no longer correct to say that the political system in Saudi Arabia is based primarily upon tribalism and Islam. The state now provides directly to the individual many of the benefits that in the past came from the tribe. Tribal shaykhs are now on the state payroll. The main benefit tribes now perform is helping people both economically and politically by linking them to the people who are in power. Likewise, the institutions of Islam are now much more dependent upon the state, and much more a subordinate part of the state apparatus, than was the case in the past. Members of the ulama are appointed by the state, and mosques are now funded by the state. The large oil revenues received by the state have become a dual edge sword for the government. On the one side, subordinate groups that in the past may have challenged the government are now supplanted by groups that have been usually supportive of the regime. On the downside, when crises appear, these primordial groups with close ties to the government have greater ability to influence government policy and block needed austerity reforms.

---

<sup>10</sup>Gause, 48.

## **2. Extractive and Distributive Institutions During the Boom Years**

Initially, modest oil revenues were used by the state to increase their power over other groups that held power in the country, namely, the Hijazi merchants. By taxing the merchant class, the state was able to relieve much of the burden from tribesmen, nomads and farmers. After the 1973 surpluses, the need to tax disappeared. This had a tremendous impact on Saudi society because a society that is not taxed is less likely to demand political participation. "No need for representation, without taxation" is the inverse to one of the basic principles upon which the American democracy was founded. Furthermore, the extractive institutions in the government apparatus mostly withered away or disappeared altogether. For example, the once powerful Department of Zakat and Income Tax (DZIT) became nonfunctioning, limiting itself to occasional audits of delinquent foreign companies. In the United States, this would be similar to the Internal Revenue Service ceasing to exist.

One category of distributive measures that replaced the extractive measures included large interest-free loans for housing, personal needs, industry, contracting, and agriculture, administered by the Real Estate, Saudi, Industrial, Contracting, and Agricultural Development Funds.<sup>11</sup> If land grants formed the

---

<sup>11</sup>Chaudhry, 127.

basis for wealth, the regional and tribal ties between the grant, subsidy, and loan applicants and the civil servants assumed great importance in making the wealth grow. In light of the social composition of the bureaucracy, it is not surprising that the subsidies and the lending policies of the Saudi Agricultural, Industrial, and Real Estate Funds are enormously skewed in their regional distribution. In most cases, between 60 and 80 percent of the projects funded are in the central region, the home of the Al Saud and their chief tribal supporters. The skews in government lending are even more remarkable when seen in light of the fact that the Nejd constitutes no more than 10 percent of the total Saudi population.<sup>12</sup>

Institutions that relied on local initiative and resource mobilization, such as local cooperative societies and agricultural outreach programs, were stripped of their legal status. According to Chaudhry, the traditional service guilds of the Hijaz were disbanded and their members placed under the Ministry of pilgrimage and Religious Endowments. The organic merchant associations of the Hijaz, including the powerful al-Majlis al-Tijari, or Trade Council, were forced to relocate under the state-funded Chambers of Commerce.

The 1973-83 period had a tremendous impact on Saudi society. Oil wealth led to the decline of extractive and regulatory

---

<sup>12</sup>Chaudhry, 128.

institutions, created a large number of distributive institutions, and undercut participatory institutions. Yet what may have been the most significant consequence, was the creation of a new commercial class. Thousands of lucrative government jobs created by the expanding government bureaucracy were given to Nejdi tribal leaders, the historic supporters of the monarchy. Also, the division between public and private sector became intertwined, as many government civil servants had their own businesses along with their government jobs. According to a survey conducted in 1971, 26 percent of top-level bureaucrats said that they saw their employment in the government as an opportunity to combine private and public interests. Because of the sheer size of the state's role in the economy, the affiliations of bureaucrats during the boom period greatly influenced social stratification and the composition of the emerging private sector.<sup>13</sup> By having ties to the government, these businessmen were reaping enormous commissions from foreign companies bidding for government contracts.

Needless to say, it was not long before this new commercial class based on tribal and regional lines precipitated the demise of the old merchant houses of Jeddah, Mecca, Medina, and the Eastern province. This gave rise to an entirely inexperienced and state-created group of commission entrepreneurs with strong

---

<sup>13</sup>Chaudry, 125.

links to the state. The new business group is highly solicitous of state support and finance. Cost and price subsidies to make domestic goods competitive with imports are expected as a matter of course for factories that are themselves financed by grants, production stipends, and interest-free loans. During the boom years, the Saudi state was the generous provider, simultaneously funding the protection of local industry, ensuring high profits for importers, and subsidizing consumers.<sup>14</sup>

**C. PROBLEMS IN A POST-RENTIER STATE: ECONOMIC BUST PERIOD  
1982-1990**

Despite all other factors, a rentier state with a sufficient amount of incoming rents could exist forever. However, because of decreasing oil prices in the 1980s, the vast surpluses accrued by the monarchy from oil rents began to dissipate. When the standard of living began to fall, citizens began to view those same generous providers as corrupt and inefficient tyrants. During this period, annual oil rents plummeted from over \$110 billion in the 1973-82 period to about \$22.68 billion in 1986. In March 1986, King Fahd appeared on Saudi television to announce that flux in international oil prices precluded the possibility of designing a national budget. Real estate prices plummeted as foreigners departed, leaving a 60 percent overcapacity in

---

<sup>14</sup>Chaudry, 136.

housing; banks held massive doubtful loans.<sup>15</sup> Still the most dramatic consequence to come out of Saudi Arabia during the global recession in the 1980s was the fact that the country had been transformed into a distributive state and the state lacked the relations with its citizens that would may have arisen in a extractive state and allowed it to carry out economic reforms.

### **1. State Problems in Economic-bust Period**

The problems in Saudi Arabia were two-fold. First, the extractive and regulatory institutions that were allowed to atrophy during the economic boom period were not capable of implementing new reform policies. Second, the new commercial class that the monarchy created to bolster regime stability, began to see state subsidies as a right of citizenship and balked at any kind of economic reform aimed at pruning their subsidies.

A decade of underfunding and neglect left the state without the apparatus to collect any type of direct tax (corporate, individual, or religious). At best the Saudi reform program succeeded in implementing policies directed at the general population and foreign laborers. It failed in carrying through changes that would have targeted the merchant class. The infrastructure did not exist for Department of Zakat and Income Tax (DZIT) to obtain information on business contracts. And if the information did exist, companies usually found loopholes in

---

<sup>15</sup>Ibid.

Sharia law to allow them to escape paying taxes. According to Kiren Aziz Chaudhry:<sup>16</sup>

The new taxes on services affected foreign laborers and individuals. Beginning in late 1985, indirect fees were collected on cigarettes, and a new head tax was charged for pilgrims. Profit taxes on foreign companies were reinstated, although their application awaits the complete reorganization of DZIT. Customs duties were increased to levels outlined in the Geneva Convention, and indirect taxes on passports, vehicle registration, visas, mailboxes, and stamps were raised by several hundred percent. Port and airport fees were reinstated for foreign transporters. The new indirect taxes were easily collected through the Motor Vehicles and Customs Departments and the Ministry of Communications.

If nothing else, this brought home the fact that the only economic tool possessed by the Saudi state was distribution-indirect taxes could be applied, but the economy could not be restructured in the lean years.

Other laws meant to strike at the affluent commercial class by taxing utilities, gasoline and agriculture drew sharp criticism and were withdrawn. Agriculture is a perfect example of a money pit that the government pours resources into annually, even though the country does not possess any kind of comparative advantage. Ironically, Saudi Arabia is the sixth largest wheat exporter in the world, despite existing in a hostile climate with

---

<sup>16</sup>Chaudhry, 138.

limited water resources. The result is that the government has to heavily subsidize the industry that employs about ten percent of the population and wastes valuable water resources in the process.<sup>17</sup>

In their opposition to regulation and tax, the Saudi private sector mobilized both primordial links and economic ties with bureaucrats and the Royal Family. Apart from the wheat farmers' use of local newspapers to voice their complaints, the grievances were expressed and heard behind closed doors. Remarkably, there was no struggle: the austerity programs were simply and quietly withdrawn. The complaints of the business class were so effective that favored local businessmen were promised a guaranteed source of future income through the massive privatization program launched in 1987. Stocks in state-owned enterprises will be underpriced and profits heavily subsidized, at substantial cost to the government.

In summary, the consequences of the economic boom era in Saudi Arabia have been dramatic. The transformation from an extractive state to a distributive (rentier) state seemed to have been a relatively peaceful process due to a large volume of external capital inflows. However, economic policy during the recession revealed the danger of allowing the decaying of regulatory institutions and strong civil groups. Previously

---

<sup>17</sup>Andrew Apostolou. "Never Mind the Cost." The Middle East. Feb 1992, n208, p. XIV.



strong groups in the Hijaz were disbanded and corporate groups were created directly through state spending. Rather than forming a loyal political base, continued financial support from the state was a prerequisite for the private sector's acquiescence. Ironically, opposition to austerity measures was spearheaded not by the disenfranchised Hijazis, not by the impoverished populations of Asir and Hassa, but by the two main beneficiaries of Saudi state spending: the state-sponsored landed elite and the new Nejdi merchant and industrial class.

Saudi foreign reserves are being depleted at the rate of \$1 billion per month. The standard of living for many Saudis has decreased, and the government is experiencing difficulties attempting to borrow from international organizations. Adding to the King's problems was the Persian Gulf War of 1991. The monarchy was forced to loosen its grip on society to garner support for the war effort. By opening up society, some political opposition was allowed to be voiced. Couched in supportive terms initially, soon Islamic Fundamentalist groups were accusing the monarchy of being corrupt and calling for major political reforms.

In light of these developments, the Saudi government can hardly continue the present policy of accommodation indefinitely. Hence, the monarchy is now faced with a dilemma, how to reform the country economically, while at the same time maintaining political stability.

### III. POLITICAL ISLAMISM IN SAUDI ARABIA

This chapter analyzes the origins of the new Islamist movement in Saudi Arabia and the threat that it imposes on the ruling monarchy. It follows conclusions derived from previous chapters that the oil boom of the 1970s transformed the country into a rentier state and this transformation was significant in that it allowed the expansion of a giant government apparatus that eventually coopted religious and tribal leaders, who then became part of the state apparatus. Consequently, the large oil revenues accrued by the state also allowed it to form a new social contract between the regime and its citizens. The contract basically charged the state with maintaining benefits to its citizens by distributing the revenues gained through the export of petroleum products.

The declining oil revenues during the oil bust of the 1980s forced the regime to tighten its domestic budget, which meant the elimination of some of the benefits provided to the citizens. This break in the social contract was the catalyst for vocal opposition against the regime and for calls for more political participation. Since political organization is outlawed throughout the country and forbidden everywhere except inside the mosque, the Islamist movement has a monopoly on organized political opposition. Hence, the Islamic movements are expanding rapidly and pose a more serious threat to political stability of

the ruling monarchy than any of the other groups. In this chapter five questions are asked and analyzed about the rising Islamist movement in Saudi Arabia:<sup>18</sup>

1. **Who are the Islamists?** The members of the new Islamist movement in Saudi Arabia are mostly a shapeless group who prefer to call themselves al-Salafiyyun - the followers of the pious ancestors rather than fundamentalists. Most are former students of Shaykh Ibn Baz, the supreme religious leader in Saudi Arabia, but have turned against their former mentor because of his support for the government. The loose coalition consists of religious teachers (ulama), judges, academics, businessmen, heads of religious institutes, mosque imams, and other notables (business/teachers). The majority come from a religious background, are highly educated and live in the Nejd region. The most disturbing aspect to the regime is that the new Islamists are Sunni Muslims who come from the region that is historically supportive of the regime, and they are not supported by external forces, an allegation that some in the government charge.

---

<sup>18</sup>The format was first used by Dr. Alan Richards in his unpublished manuscript entitled "Toward A Political Economy of Islamism: Grievances and Collective Action", April, 1995.

2. **Why are they angry?** The oil bust of the 1980s and 1990s caused economic downturn and government budgetary restraint coinciding with the acceleration of new entrants into the labor force. The standard of living fell for many citizens, excluding the royal family. Many of the Islamists feel the ruling regime is responsible for the economic downturn of the country and accuse them of being inefficient, corrupt and tied too closely with the West, especially, the United States.

3. **How did this happen?** The catalysts for the current Islamist movements arise from two major events. First, the social contract that established the regime's relationship with its citizens was broken when the decline in oil prices during the 1980s turned a huge government surplus into a \$19 billion dollar deficit. Domestic tightening of the budget caused benefits that were once seen as rights of citizenship disappear at the same time the demographic surge created a large percentage of young males looking for social identity and state employment. Next, the reliance on Western armies to defend the country during the Persian Gulf War made many citizens wonder why after spending billions of dollars annually on military hardware, they had to rely on the assistance of "infidels" for their defense.

4. **What are the Islamists demanding?** The demands include calls for more political participation outside the ruling family, the creation of a constitution and legislative assembly and movement of the government back towards Islamic principles and away from Western allies. In general, the Islamists are not calling for the end of the monarchy but a stricter implementation of the Sharia.

5. **How did the King respond?** The monarchy responded with calls for moderation and warnings to the Islamists not to go too far. A new Basic System of Government was set up that created a legislative assembly, picked by the King. Also, a Ministry of Islamic Affairs was established which symbolizes that the King is trying to be more Islamic than the Islamists.

#### **A. WHO ARE THE ISLAMISTS?**

It is ironic to think that domestic security in Saudi Arabia, the most Muslim fundamentalist (Wahabbi) country in the world, is being threatened by indigenous Sunni Islamic fundamentalist groups.<sup>19</sup> The basic tenet of legitimacy of the Saud ruling regime is that they are the guardians of the Holy places in Mecca and Medina. The origins of the regime were forged by a coalition between tribes and religious

---

<sup>19</sup>From here on referred to as Islamists.

fundamentalists. This relationship between the regime and its historical allies was paramount, until the discovery of oil and the transformation of the country into a rentier state. The consequences of the rentier state have been very significant. First, the Saudi government apparatus expanded and eventually coopted their previous allies. Tribal and religious leaders became employees of state. The regime used state-sponsored religious figures (the highest ranking is Shaykh Ibn Baz) to justify government policy. One of the most controversial issues was the "fatwa" issued by Baz that allowed Western troops on Saudi soil to defend against Iraq during the Persian Gulf War of 1990-91.

Consequently, the "social contract" between the regime and its historical supporters has been eroding away. Declining oil revenues and living standards, socioeconomic inequity amid increasing urbanization, the impact of modernization and the spread of Western cultural influences, all became catalysts of a new Islamist upsurge.<sup>20</sup>

The Islamists in Saudi Arabia are a loose coalition, similar to Islamists groups in other parts of the Arab world. The main distinction between the Islamists in Saudi Arabia compared to other parts of the Middle East is that they were once loyal supporters of the regime who now call for reforms within the

---

<sup>20</sup>Discussed in more detail in section D.

existing system instead of complete transformation. This is simply because Saudi Arabia is already an Islamic state that the Islamists presume is being led astray by its current leaders. The Islamist coalition is roughly composed of a group of former students of Shaykh Ibn Baz who turned against him because of supposed collaboration with the regime. Historically, they are known as al-Hadith, the puritanical followers of the Prophet's exemplary life, his sayings and his deeds, to the exclusion of analogy and opinion.<sup>21</sup> Among them include Juhayman's<sup>22</sup> al-Ikhwan of the 1970s (infamous for the Grand Mosque seizure in 1979) and the Salafiyyun, the present day Islamists of the 1990s.

**1. Beginning of the Modern Islamist Movement:  
November, 1979**

The initial uprising for the modern Islamist movement came in November 1979, during the waning days of the annual pilgrimage for Muslims from around the world, when Juhayman al-Utaybi and his band of religious zealots forcefully took over the Grand Mosque in Mecca. Juhayman claimed that the Saudi regime had lost its right to rule because it had strayed from the tenets of

---

<sup>21</sup>Hrair R. Dekmejian. "The Rise of Political Islamism in Saudi Arabia." The Middle East Journal. Middle East Institute, Volume 48, Number 4, Autumn 1994, 635.

<sup>22</sup>It is important to highlight the differences between Juhayman and the present day Islamists. Today's Islamists call themselves reformers and insist that they abhor violence such as Juhayman called for sixteen years ago. Juhayman and his gang were revolutionaries who called for the radical overthrow of the ruling regime.

Wahhabi Islam upon which the kingdom had been built. While the Ikhwan cause had sympathizers among both urban and tribal fundamentalist groups, many Saudis considered seizure of the mosque an illegitimate act carried out by a group that was not representative of mainstream Saudi Islamists.<sup>23</sup> Yet the siege of the Grand Mosque raised more fundamental questions relating to the legitimacy and credibility of the dynasty. Juhayman and his followers may have belonged to the lunatic fringe of Islam, but they were representative of a current in the country towards a reversion to fundamentalist values and against the West and its technological innovations.

The most disturbing aspect of the Grand Mosque seizure was the spectacular nature of the breakdown in law and order in the most sensitive of all places in the kingdom. It took two weeks for the Islamists to be driven from the mosque, and after each additional day, Saudi credibility and legitimacy as protector of the holy places was compromised. In the end, the Saudis required assistance from French special forces to clear the area.<sup>24</sup>

---

<sup>23</sup>David Holden and Richard Johns. The House of Saud. New York: Holt, Rinehart and Winston, 1981, 528.

<sup>24</sup>I first heard that this fact was not well publicized in the press in Dr. Ahmad Ghoreishi's lectures at the Naval Postgraduate School in the Spring of 1995. I validated it by comparing several scholarly journals and publications written at the time of the incident.



## **2. The Salafiyyun**

The present day Islamists are also former students of Shaykh Ibn Baz. An analysis of the Salafiyyun signers of two petitions sent by the Islamists to the government in May of 1991 and September of 1992 discloses a profile that is disturbing to the regime. Most of the signers (68%) were from the Nejd, the historic stronghold of Saudi support. Further, fifty-eight percent had a religious background, but not a religious occupation. The largest single group represented were academics (50%), most were highly educated in the technical sciences (fifty-six percent had a lower degree and forty-four percent held doctorate degrees). About a dozen had some record of activism as critics of the regime.<sup>25</sup>

## **3. Committee for the Defense of Legitimate Rights (CDLR)**

Another threat to the regime comes from an Islamist group that was formed in May of 1993. It was formed by a group of six Saudi dissidents, including three Muslim scholars. They announced the formation of what they described as the country's first committee for human rights. They believed they could use this platform to press demands to further institutionalize the power of the Islamic clergy over Saudi society and restrain the pace of

---

<sup>25</sup>See Appendix C.

modernization.<sup>26</sup> The group, headed by Sheik Abdallah Masari, asserted that its goal was "to alleviate injustice and defend the right secured by Islamic law." Two of the six members of the group signed the petition submitted to King Fahd last September.

Specifically, the group is critical of Saudi economic policies that allow interest on banking (considered usury by the Koran, Islam's holy book), too heavy a dependence on the West in foreign, defense and economic policy, and a legal system that is not fully based on the Islamic Sharia law. Like more liberal critics of the regime, they are demanding an end to inefficiency and corruption in the government administration and to the continuing favoritism toward members of the royal family. The militants also attacked the leaders of the Saudi religious establishment, accusing them of being puppets of the Saudi government, especially Shaykh Ibn Baz.

In the beginning, the Saudi government, sensitive to any internal conflict, was unusually lenient on groups like the CDLR. However the limits seemed to have been reached with the forming of this particular group. The Saudi government immediately removed the leaders from their positions at the university and ordered the closure of two fundamentalist lawyer's offices. The leadership of the group was arrested and imprisoned for six months. Eventually, after their release they quietly left the

---

<sup>26</sup>Chris Hedges. "Saudi Rulers Resisting Pressure From Two Sides." New York Times. February 14, 1993.

country and moved their organization to London.<sup>27</sup>

Over a short period of time, the CDLR succeeded in mounting an unprecedented challenge to the monarchy by becoming the primary channel of opposition for both the Islamist and non-Islamist critics of the regime. Through a series of communiques faxed to Saudi Arabia and world-wide, the CDLR sought to mobilize public opinion against the monarchy by documenting human rights violations, denouncing Saudi support of southern Yemen's "communist" rebels, and criticizing the regime's mishandling of the 1994 pilgrimage that resulted in many more deaths than officially were reported. Despite its bitter attacks, the CDLR advocated moderation and peaceful change in the kingdom on the basis of the Sharia principles, as outlined in the 1991 petition and the 1992 memorandum.<sup>28</sup>

#### **B. WHY ARE THEY ANGRY?**

The people who oppose the government in Saudi Arabia are angry because the decrease in the price of oil has led to a lower standard of living for many citizens outside the royal family. They blame the monarchy for the economic downturn in the country and accuse the royal family of being corrupt and inefficient for

---

<sup>27</sup> Kim Murphy. "Saudi Arabia's Exiles Challenge a Closed Society: The Dissents want the Kingdom to be More Democratic and More Islamic." Los Angeles Times. July 19, 1994.

<sup>28</sup>Discussed in more detail in section E.

mishandling the country's economic and foreign policies. Particularly, they wonder why after spending billions of dollars on defense every year, they had to rely on Western armies to defend them from Saddam Husayn during the Persian Gulf War. Significantly, these groups are forbidden to form organized protest movements of their own, so they ally themselves with the Islamist groups. The Islamists are specifically angered by close ties to the West because they are threatened by Western culture. They are also upset about the hypocrisy of the regime because they use Islamic symbols for political legitimization but live their personal lives quite contrary to Islamic principles.

After twenty years of receiving state benefits derived from oil, a substantial part of the citizenry has ceased to regard state benefits as temporary benefices from their rulers, and has come to see them as rights of citizenship. The fact that Saudi Arabia has a substantial number of noncitizens who do not share in many of these benefits reinforces the notion that citizens are different, in part because governments have an obligation to provide certain economic rights to them. Along with this obligation, the monarchy has also taken on, over the last twenty years, a more general obligation to encourage economic growth and safeguard the health of the economy as a whole. On both personal and national levels, citizens increasingly hold the state accountable for economic conditions. In the "boom years" state hegemony over the economy was a source of stability for the

members of the monarchy, but now that funds are more scarce, it may come back to haunt them.<sup>29</sup>

Along with the recession in the 1980s, another thing the Islamists are angry about is the political crisis generated by the Iraqi invasion of Kuwait. Saddam Husayn directly challenged the legitimacy not just of the Kuwaiti regime, but of all the members of the Gulf Cooperation Council (GCC), on both Arab nationalist and Islamic bases. The presence of American troops raised questions among citizens about the ability of their governments to defend them, even after billions of dollars of oil wealth had been spent on defense. The intense international focus on the region also led to some degree of self-examination. All of these factors led the Saudi citizens to question the morality and efficiency of the economic policies of the government.

For these Islamic groups, all that is wrong with society can be attributed to moving away from the virtues and principles of Islam. For them, Islam becomes the panacea to correct all ills in society, via the infusion throughout society with Islamic principles that they suggest the current ruling regime has strayed away from. They feel that the monarchy is not legitimate to lead in the name of Islam because of corruption and hypocrisy

---

<sup>29</sup>F. Gregory Gause, III. Oil Monarchies: Domestic and Security Challenges In The Arab Gulf States. New York: Council of Foreign Relations Press, 1994, 81 .

shown by the royal family. The Islamists are also opposed to close identification to the West and Israel, and economic interdependency on the West. They feel Western ideology and culture threatens their society.

### **C. HOW DID THIS HAPPEN?**

The current rise of Islamist movements can be attributed to two major factors. First, the oil bust years (1982-1990s) forced the state to tighten its belt by cutting benefits and jobs to ordinary citizens at the same time that modernization in society created a huge demographic surge in young males looking for government employment. Second, the Persian Gulf War of 1991 opened up society enough to allow some opposition to voice their opinions in public.

#### **1. Post-Oil Boom Era**

The oil bust of the 1980s and 1990s that caused economic downturn and forced government budget tightening, coincided with the acceleration of a surge of new entrants to the labor force. Modernization resulted in rapid rural-urban migration. From 1970 to 1990, urban populations grew at about 4.4 percent per year, while populations grew at 3.2 percent. By 1994, 65 percent of the citizens were under nineteen.<sup>30</sup>

The precipitous drop in world oil prices in 1986, after a

---

<sup>30</sup>See Appendix D.

steady decline from the heights of the early 1980s, triggered an economic crisis in Saudi Arabia. Gross Domestic Product, which had been increasing at substantial rates for the previous fifteen years, fell during the 1980s. The government drew down reserves to maintain most state services, but still had to cut back on the spending that fuels local economies. Some local businesses went bankrupt, unemployment emerged for the first time in nearly two decades as a problem and the boom mentality of previous years came to an abrupt end. This economic shock led to a new awareness of the fragility of the monarchy's prosperity and thus to demands for more efficient and accountable government economic policies. Many of the youth viewed the government as inefficient and corrupt. The Islamists viewed the regimes as having strayed away from the tenets of Islam.

The final factor that served as a catalyst for the rise in Islamism was the invasion of Kuwait by Iraq in 1990. The Gulf War between the allied forces of Saudi Arabia and Western allies against Saddam Husayn and Iraq left several lingering factors that shook Saudi stability even more. First, there was the fifty-five billion dollar price tag that expedited the downward trend of the depressed Saudi economy. Next, the monarchy had to release its grip on society in order to gather support for Ibn Baz's fatwa allowing Western armies on "holy soil" to provide for their security.

Until the War, most Islamist groups refrained from directly

challenging the government. Instead, they attached some guardedly liberal officials as "secularists", while pressing for "social reform" and propagating their puritanical ideology.<sup>31</sup> The Gulf War transformed the situation by revealing the kingdom's weakness relative to Iraq and its dependence on Western protection. With the deployment of the US-led multinational forces, the kingdom became host to thousands of American and European soldiers, both men and women. This undermined the Islamic legitimacy of the monarchy and angered the Islamists, who opposed the presence of a non-Muslim army on Islam's holy land. Meanwhile, the massive costs of war, coupled with a weakened economy, eroded another pillar of Saudi legitimacy - the ability to provide socioeconomic stewardship for the people. Thus, facing a drop in their standard of living and declining prospects for good jobs, a considerable portion of the country's lower and lower-middle classes - chiefly men between the ages of 20 and 40 - (roughly 21 percent of the population)<sup>32</sup> saw their aspirations stunted and their manhood and dignity assaulted by "atheist" armies and the culture shock of Western lifestyles. Indeed, this youthful constituency was caught in an "identity crisis" and heightened xenophobia - how to reconcile their absolute certainty about Islam's superiority with the kingdom's

---

<sup>31</sup>Dekmejian, 630.

<sup>32</sup>See Appendix D.



weakness vis-a-vis Iraq and the West. Hence, the post-war resurgence of Islamism was a reaffirmation of identity, a protest movement against the monarchy and its Western allies, and for some, a means to achieve social influence.

#### **D. WHAT ARE THE ISLAMISTS DEMANDING?**

The ideology of the Islamist movement in Saudi Arabia is unique compared to other movements in the region. Islamists in Egypt, Algeria and the other Gulf states demand a complete transformation of the state into Islamic republics. The ruling regime in Saudi Arabia already views itself as an Islamic state, based on the fundamentalist principles of Wahhabi tradition. But the Islamists are demanding stricter implementation of the Sharia, which they claim the regime has strayed away from, more political participation outside the ruling family, and the creation of a constitution and legislative assembly. They also call for the shifting of the government away from its ties to the West and back in the direction of fundamental Islam. Many Saudi citizens allying themselves with the Islamists would like to see political reform to what they see as a corrupt and inefficient system.

##### **1. Liberal Petition**

Ironically, the first such demand for political reform did not come from the Islamists, but rather from liberals in the

country. In December of 1990, a petition signed by forty-three secularists was presented to the King, after he had promised a more open government after the war. That petition, unprecedented in recent Saudi history, was couched in very deferential and supportive terms.

## **2. Islamist Petition**

In May of 1991, over 400 Islamists sent a petition of their own to King Fahd calling for political reform. The apparent aims of the letter were to counter the liberal petition, and to influence the King's expressed intention to promulgate the much-heralded consultative council and system of governance. A further objective was to influence public opinion, as indicated by the rapid dissemination of the letter's contents throughout the country and the international media.<sup>33</sup>

The most important signatures on this petition was Shaykh Abd al-Aziz bin Baz's, the senior religious figure in the kingdom, and a number of his senior ulama colleagues. The significance of this document is that the Islamists were acknowledging for the first time in public the need for the monarchy to reform the government because it had become corrupt and inefficient.

The most notable section of the petition was the one that dealt with judicial and legal issues. The signers called for the

---

<sup>33</sup>See Appendix B for the entire context of the petition.

establishment of a commission, presumably made up of prominent ulama, to examine every state regulation and edict in light of Sharia and to cancel those found to conflict with it. They urged unification of the judicial system - which currently consists of both Sharia courts and secular authorities empowered to adjudicate administrative and commercial cases - under the authority of the religious law courts.

Their demand for the total imposition of the Sharia, to be supervised by an "independent" and "unified" judiciary, would make the ruling elite subservient to Islamist religious authority. An equally consequential demand was the placement of Islamic specialists in every government agency to function as an ideological police force. Such imposition of strict ideological controls, resembling the Soviet zampolit system of political officers, could result in a clerically-led Islamist state, with totalitarian attributes. The establishment of such a policy in Saudi Arabia, fully controlled and led by ulama, would be an unprecedented feat in Islamic history. Ironically, this advocacy of religio-political pre-eminence for the ulama would bear some resemblance to Ayatollah Ruhollah Khomeini's theory of vilayat al-faqih<sup>34</sup> (authority of the religious jurists). However, instead of one person chosen to be the leader of the country, the Saudi Islamists would rule by consensus which is more in line

---

<sup>34</sup>Gause, 96.

with Sunni tradition. It is ironic that some of these recommendations sound familiar to Khomeini's, but it is important to note that the Saudi Islamists see themselves as a totally distinct entity from the Islamist movement in Iran. In fact, some of the Islamist leaders have denounced the Shi'a in Saudi Arabia as renegades and called for their execution.

Also significant was the recommendation for a legislative assembly to be formed from members outside of the royal family and without interference to conduct its affairs. The legislative assembly would have more influence on foreign and defense policies. Specifically, it would build a modern army to defend the country from outside threats, and it would cut wasteful domestic programs that were draining much of the country's resources. For instance, the country's agriculture accounts for nearly ten percent of the budget. All that is produced could be imported much cheaper without wasting the precious water resources in the country. The regime is not able to cut back on this program because of the considerable domestic backlash that would occur.

### **3. Memorandum of Advice**

The Islamists were not done making demands on the government, but they were aware that direct threats to the King would be dealt with harshly. So in September 1992, a second letter entitled "Memorandum of Advice from the Ulama" was sent to

Shaykh Ibn Baz, criticizing the government's domestic and foreign policies. The memorandum contained an elaboration of the May 1991 letter and advanced a new set of more radical demands:<sup>35</sup>

1. To remove all government restrictions of Islamic clerics, scholars, and teachers to write, publish, and preach.
2. To permit the ulama to oversee and participate in the work of all government agencies, ministries, and embassies to assure their adherence to Islam.
3. To establish a supreme Sharia constitutional court to review, revise, and purify all laws, treaties, and regulations in order to assure their compatibility with Islam.
4. To revise the curriculum of some universities and institutes to focus on fiqh (jurisprudence) and to prohibit the teaching of Western law, except to graduate theological students, in such a way as to reflect the corrupt ideologies of the infidels.
5. To restrict the powers of the police, provide lawyers for the accused, and outlaw torture and censorship of Islamist groups and individuals.
6. To select ministers and high officials without favoritism and nepotism, or regional, ethnic, and kinship consideration.
7. To institute administrative reforms by appointing capable officials, who would be subject to punishment for stealing and bribery, regardless of their position.
8. To censor all foreign materials, magazines and television programs to prevent the dissemination of infidel and secular ideas and nude pictures.

---

<sup>35</sup>Dekmejian, 633.

9. To control and oversee government spending through agencies accountable to the consultative council.

10. To cancel expenditures on sports stadiums, exhibitions, and palaces, and to extend financial aid only to Muslims in need and not to the "infidel" regimes of Algeria, Egypt, Iraq, Jordan, Morocco, Russia, Syria, and Tunisia.

11. To establish a strong army of a half-million soldiers, motivated by the spirit of jihad (holy war) and sacrifice in order to protect this holy country, fight the Jews, and help the Muslims.

If the first document was supportive and one of recommendations, this one was critical and one of demands. Ironically, this document sometimes contradicted itself by calling for the end of censorship of the Islamists, but demanding increased censorship on Western and foreign ideas. It brought an immediate denunciation from Ibn Baz, but more significantly, these polemical attacks gave the Islamists a partial victory, since seven of the seventeen senior ulama declined to sign the denunciation issued by Ibn Baz and were eventually dismissed by King Fahd in December 1992, and replaced by ten pro-government ulama. This was a clear indication that the young Islamists enjoyed considerable support among a large minority of establishment ulama, who were prepared to resist the regime's dictates.

## **E. HOW DID THE KING RESPOND?**

The calls for reform in Saudi Arabia have presented the monarchy with the classic king's dilemma: how to modernize the country economically while keeping the old political order intact. In response, the regime has adopted a two-pronged strategy. On the one hand, the King has reaffirmed the close relationship between the government and the religious establishment, emphasizing the state's fidelity to the principles of Islam. On the other hand, he has pointed in no uncertain terms to limits on religious dissent, cracking down on the most vocal critics, and reasserting the government's ultimate leadership of religious institutions.

Specifically, on March 1, 1992, King Fahd announced three royal decrees that establish important changes in the Saudi domestic political system: a Basic System of Government, a constitution-like document; the statute for a new consultative council (majlis al-shura); and a system of regional government for the kingdom's fourteen provinces. On August 20, 1993, the King issued four more decrees, appointing the members of the Consultative Council, setting out its rules of operation, and amending the charter of the Council of Ministers, the Saudi cabinet. These decrees leave the monarchy in control of the country while at the same time trying to appeal to a broad spectrum of society.

The Basic System is an attempt by the monarchy to further legitimize the power vested in the King with regards to all branches of the government and the military. It also charges the state with the responsibilities to maintain certain benefits, such as health care and education, to its citizens while also caring for the poor.

Article 68 of the Basic Law mandates establishment of a Consultative Council (majlis al-shura), following on the King's promise of November 1990. The King issued by royal decree the founding statute of the council at the same time as he announced the Basic System. That statute sets the membership of the Council at sixty members and a president, all appointed by the King. (Art. 3) Councils will have four-year terms, and at least one-half of the membership of every council must be composed of new members (Art. 13). No member of the government can sit in the council (Art. 9), and from the composition of the first council it is clear that ruling family members will not be appointed.<sup>36</sup>

King Fahd appointed the sixty members of the first Consultative Council in his August 20, 1993, decrees; its president, former Minister of Justice Shaykh Muhammad ibn Jubayr, was chosen in September 1992. An analysis of the Council's membership provides some clues to the kingdom's policy

---

<sup>36</sup>Gause, 106.



priorities, as well as its response to the Islamist constituency's demands. The Consultative Council is a collectivity of bureaucrats (29.5 percent), academics (27.8 percent), businessmen (13.1 percent), and Islamic functionaries (9.8 percent), plus a handful of journalists, writers, and military and police generals. Overall, the members are highly educated; over 50 percent hold doctorates, mostly from U.S. universities. In social background, 25 percent of the members are from notable Saudi families, mostly of urban origin; a few are affluent businessmen, and the rest are from the urban middle class. The members seem to represent a cross-section of the Saudi elite, including important regime constituencies like the religious establishment, technocrats, and merchants. Approximately one-third of the members are university professors, from both the more secular and the Islamic universities in the kingdom. Eight members are current or former top-ranking civil servants, four are retired military officers, eight are members of various regional chambers of commerce in the country. There are two engineers, three doctors, and seven journalists/writers in the group. Of the forty-eight members for whom background information was available, twenty-three had received Ph.D.s: sixteen from Western universities, one from Cairo University (in engineering), and six from Islamic universities. At least ten Hijazis were appointed, at least four Asiris, and at least two

Saudis from the Eastern province. The Council includes one Saudi Shi'i businessman Jamil al-Jishi.<sup>37</sup>

There were no royal members in the Consultative Council, although the families of at least two members had marriage ties to the Saudi family, while the presence of General Abd al-Aziz bin Muhammad Al Shaykh provided a legitimizing religio-historical link to the Wahhabis. As the monarchy's home base, Nejd received 41 percent of the appointments, Hijaz 32.8 percent, the South 9.8 percent, and the Eastern Province 6.6 percent. In terms of political attitudes, the membership appeared to be mostly colorless, although the dominant presence of Western-educated bureaucrats, academics, and journalists betrayed a muted liberal bias. In contrast, about 19 percent of the members could be considered religious conservatives, as determined by their educational background and professional involvement with Islamic instruction and institutions; predictably, none of these were known as Islamist activists.<sup>38</sup>

The third statute announced by King Fahd on March 1, 1992, regarded the system of regional governance for the kingdom's fourteen provinces. The statute established greater autonomy for provincial governors (all of whom are currently members of the royal family) on spending and development priorities in

---

<sup>37</sup>See Appendix E.

<sup>38</sup>Dekmejian, 640.

their regions, and authorized the establishment of provincial consultative council on the model of the national Consultative Council. It is billed by the regime as a major effort toward decentralized authority in the kingdom. In September 1993, the King appointed the local councils - twenty-member councils for the major cities of Riyadh, Mecca, and Medina; fifteen-member councils for the other ten regions. Included in the local councils are the regional representatives of major government ministries.

These constitutional innovations in the Saudi political system are an attempt on the part of the King to respond to various constituencies important to his rule. Even though the King used harsh language on other occasions against Islamists whom he saw as transgressing the bounds of permissible dissent, he has made it plain that Islam remains the cause of the state's legitimacy. He has repeatedly pointed to the unique role of the kingdom in the Muslim world, based on the history of the Al Saud's connection with the Wahhabi movement and the family's custodianship of the holy sites of Mecca and Medina. His desire to maintain a balance between more liberal and/or technocratic elements and the broad Islamist current is reflected in his appointments to the Consultative Council.

## **1. Establishment of the Ministry of Islamic Affairs**

One other act of the King was to form a ministry of Islamic affairs to reiterate the regime's commitment to Islam, reasserting its right to direct the religious establishment, and rewarding those in that establishment loyal to the regime with new positions and new access to state employment. In July 1993, King Fahd appointed Shaykh ibn Baz to the position of Grand Mufti and established a new Ministry of Islamic Affairs, Awqaf, Dawa (Proselytization), and Guidance on the recommendation of Baz. This was an attempt by the King to be more Islamic than the Islamists.

In conclusion, despite these unprecedented reforms, the monarchy did not give up much power to the Islamists. All of the appointees to the Consultative Council are appointed by the King. And all of the statutes in the Basic System of Government only acknowledge and systemize the King's supremacy. Hence, the Islamists in the country were not appeased by the "toothless" reforms. Consequently, as long as the world oil market remains depressed, the monarchy will be forced to continue breaking the social contract with more of its citizens as it attempts to cut back on domestic spending. Political opposition in Saudi Arabia will grow and since the Islamists in Saudi Arabia have a monopoly on political opposition, the Islamist movement will continue to grow. This presents a gloomy future for the monarchy

and may have severe implications for the United States and its allies.

#### **IV. PROSPECTS FOR THE OIL MARKET**

The primary factor affecting the political stability in Saudi Arabia is the price of oil. As mentioned earlier, a rentier state can survive indefinitely as long as a sufficient amount of rents continue to fill government coffers. However, most experts agree that the price of oil will remain depressed in the foreseeable future. If the experts are correct, this could be hazardous to the stability of the Saudi monarchy that is unable to reform economically. In this chapter, I will examine the basic nature of the oil market that is intertwined between economic, political and military factors. I will also examine Saudi policy, Middle East political changes and other factors that may affect the price of oil including the reemergence of Iraq onto the world market. Significantly, continued low oil prices limit the leverage the King possesses to rule the country and casts doubt on the future survivability of the ruling regime in Saudi Arabia.

##### **A. BASIC NATURE OF THE OIL MARKET**

###### **1. Demand**

The demand side of the oil market is strictly economic with thousands of factors responding to market price signals. In the future, major factors that will affect the oil market include: how long it takes the economies of China and India to takeoff,

and how long it takes the countries of the former Soviet Union to rebuild their economies. These factors are difficult to predict, but as the world economy increases, demand for oil will grow and then the economy in Saudi Arabia will also grow.

## **2. Supply**

The supply side is not normally competitive, being dominated by the Organization of Petroleum Exporting Countries (OPEC) cartel, at least since the early 1970s. This cartel control of the oil supply has been the major source of the great price volatility since then. OPEC's attempts to control the oil market to maximize its economic rents have produced an unstable market. Before 1973, current dollar oil prices were essentially flat, while constant dollar prices were slowly declining. Oil prices shot up during the crises of 1973 (OPEC oil embargo) and 1979 (Iranian revolution). Since then they have declined - plunging in 1986 when Saudi Arabia dropped its swing producer role and currently are roughly where they were in 1973 in real terms. Presently, the threat of anti-American regimes running up the price of oil is not very likely. With Saudi Arabia refusing to act as the "swing producer" and Kuwait coming back on line, as well as, Iraq and Russia beginning to produce more oil, there is an abundance of oil available in the world. So unlike the past when political variables dictated the price of oil, the international market will now set the price.

## B. SAUDI POLICY

Before 1986 Saudi Arabia's role in the international oil market was that of "swing producer". The Saudis would increase or decrease their production output to balance the market and maintain prices at the set OPEC level. Unfortunately, other members of OPEC took advantage of the situation by developing sophisticated methods of cheating on prices by varying contract terms to facilitate intra-cartel competition. The swing producer role caused a sharp drop in the Saudi share of OPEC production despite its position as the largest oil reserve country in the world. By late 1985, Saudi oil production had declined to the point where it had reduced the production of associated natural gas to below the level of Saudi domestic gas requirements.<sup>39</sup>

Saudi officials recognized that the country's economy could not tolerate this decline and pulled the plug on the oil market in 1986. They not only dropped the swing role but also adopted net back pricing to compete with other producers both in and out of OPEC. (Under net back pricing, the price paid for the crude is the published market value of the products it yields less its transportation cost, refining cost, and a normal refining profit.) By protecting refiners against price rise in a time of declining prices, this policy change by Riyadh elicited a

---

<sup>39</sup>David Vance. "The Oil Market in the Long Run: Economic Fundamentals vs. Political Factors." United States Department of State Intelligence Report, 1994, 5.



dramatic increase in Saudi production, but it also produced a sharp drop in oil prices as other producers were forced to adopt the same pricing policy.

By late 1986, OPEC members, in an attempt to control prices by controlling production, set new quotas which were supposed to be the maximum production allowed each member country. These caps stopped the price slide and even brought some recovery. Since 1986, however, Saudi Arabia has been determined never again to be swing producer but to defend its shares of the OPEC and world oil markets.

According to Vance, this policy switch was successful in stopping the drop in Saudi production and market share, but the Iraqi invasion of Kuwait is what gave Saudi Arabia a chance to increase its share to its current level. At the request of the United States, the Saudis increased production to near capacity, in order to avoid large price increases. As other sources of oil producers develop or come back online, Saudi Arabia will have to once again decrease production, or the price of oil will surely drop. However, the lessons of 1986 and the Gulf War underpin Saudi Arabia's distrust of its OPEC compatriots and extreme reluctance to cut production except on a pro rata basis for all members.

### **C. MIDDLE EAST POLITICAL CHANGES**

In the past, all of the large price increases have followed political or military events that threatened severe disruptions in oil supplies to consuming countries. OPEC has neither the ability nor the motive (in terms of its larger producer's self-interest) to push prices up rapidly without such a crisis.

The end of the Cold War and decisive action by the United States and its Western allies during Iraq's invasion of Kuwait in 1990-91 seems to have reduced the chance of an external crisis in the area. Nevertheless, the major remaining external threats are still Iran and Iraq which could threaten political overthrow of some Middle Eastern governments. On balance, the chance of a major disruption in oil supply in the foreseeable future does not seem very high today, as long as, the United States remains committed to the security of these countries.

### **D. SHORT TERM PRICES**

In the short term, if there is no political volatility in the region, prices will probably remain flat or even decrease. The most likely crude oil price path for the foreseeable future is flat at roughly today's level, i.e., within a dollar or so either side of \$15 per barrel. The economic case for this expectation is that there is abundant oil at that price, finding costs are likely to continue declining because of technological

progress, and OPEC can extract some economic rents but will be constrained by the market from going too far (it would pay a price in instability for any attempt to go too far, as it did in the 1980's). Most oil market analysts who predict price turmoil in the near future tend to emphasize political/institutional factors: limitations on investment in capacity so that growing demand leads to severe market tightness, OPEC mistakes and disagreements, increased dependence on Persian Gulf producers, and political/military crises.<sup>40</sup>

#### **E. FACTORS THAT MAY KEEP OIL PRICES DOWN**

Looming on the horizon is the reentry of several countries into the oil markets. Iraq, especially, has vast petroleum reserves and pressing financial needs. And the Iraqis are even less likely now than before the war to adhere to OPEC quotas. Iran with its economy shattered by the revolution and its eight-year war with Iraq has announced ambitious development goals. Higher oil exports are essential. Iranian aspirations to increase production were temporarily deterred when the Clinton administration banned CONACO, an American oil company, from doing business with the Iranians. Nevertheless, it will not take the Iranians long to replace the American firm with another one, probably from Europe or Asia.

---

<sup>40</sup>Vance, 8.

Kuwait in particular is lobbying for a much larger oil production quota. Kuwait's determination will most certainly clash with Saudi Arabia's high level of production and with Iraq's eventual return to world oil markets as an exporting nation. Kuwait says it badly needs the money to make up the losses from the war which cost it \$65 billion and cut deeply into its assets of nearly \$100 billion. The Kuwaitis say that with planned expenditures of \$8 to \$10 billion over two years they will further raise output to 2 million barrels a day by the end of 1992. Kuwait's output was 1.5 billion to 2 million barrels a day before the Iraqi invasion of August 1990.<sup>41</sup>

The announced expansion of capacity by Abu Dhabi, Venezuela and Nigeria as well as by smaller exporters will surely add to the downward pressure on prices, as will the reemergence of the former Soviet Republics in Central Asia. Also, the recent oil finds in Yemen and the North Sea may be sizable.

The fundamental issue of reintegrating Iraq into the OPEC marketing structure has to be addressed on a serious level. Iraq is currently barred from exporting oil by United Nations sanctions, and its production allocation under the arrangement is for domestic consumption only. However, by early 1992, the country was capable of producing two million barrels per day.

---

<sup>41</sup>Robert E. Looney. "The Gulf War and the Price of Oil: Prospects for the Medium Term." The Journal of Social, Political and Economic Studies. Volume 17, Numbers 3 & 4, Fall/Winter 1992, 298.

If the return of Iraq and Kuwait to full production is not to plunge the oil market into crisis, other members will have to agree to significant cuts.

#### **F. WHY IRAQ WILL REMAIN A THREAT**

Saddam Husayn invaded Kuwait for many reasons, but most were economic. During the decade of the 1980's, Iraq spent approximately \$100 billion on its military. By mid-1990 the country had accumulated an international debt of approximately \$90 billion, on which interest payments amounted to some \$8-10 billion per year. With world oil prices at \$20 per barrel, exports of 3 mbd would generate less than \$20 billion per year in revenues. Moreover, by June 1990, with both Iran's and Iraq's oil exports having increased following the end of their bloody war in 1988, oil prices had slumped to as low as \$13 per barrel. At that figure, Iraq would earn approximately \$14 billion per year, barely enough to cover debt service and imports of necessities.<sup>42</sup> Given the costs of reconstruction following the Iran-Iraq War, the demands of the Iraqi economy and popular expectations, and Saddam's continuing and grandiose military spending predilections, the Iraqi leader sought means of increasing his country's revenues. Thus the resources and income afforded by the seizure of Kuwait, as well as the

---

<sup>42</sup>Looney, 290.

prospect of exerting leverage over Saudi Arabia and hence influence over world oil prices, offered a tempting target for the Iraqi leader.

In the aftermath of the Gulf War and continuing United Nations sanctions on oil exports, Iraq's economy has had an acute need for oil revenues. This reality provides some opportunity for external actors to influence that country's conduct. Sooner or later, however, Iraq will resume oil exports. When it does, the amounts involved can grow rather quickly. Indeed, just two months after the war ended, a CIA estimate concluded that within three months after restrictions were lifted, Iraq could be producing one mbd. And, with the investment of an additional \$1.5 billion to repair pumping facilities, output could have reached 2.7 mbd by the end of 1992.<sup>43</sup>

Given Iraq's indebtedness, estimated costs of \$30 billion to repair destruction caused by the latest war, and UN-mandated reparations of as much as \$50 billion to pay for the destruction and looting in Kuwait, Iraq will continue to have a pressing long-term need for export revenues. This provides motivation for Saddam, or his eventual successors, to seek ways of

---

<sup>43</sup>Robert J. Lieber. "Oil and Power After the Gulf War." International Security. Summer 1992, Volume 17:1, 168-169.

encouraging higher world oil prices.<sup>44</sup> Moreover, it also suggest an underlying danger. It is that, barring major changes in existing circumstances, Iraq will have its own reasons for seeking to intimidate its neighbors. Apart from efforts to shape oil production and pricing policies, the aims of such pressure could also include obtaining financial assistance (in less polite terms, blackmail), influencing other countries' defense and foreign policies, and causing changes in the internal regime structure of adjacent states.

As long as the United States remains committed to regional security, whether in terms of troop presence or via longer-term security arrangements with an unambiguous American commitment, this potential intimidation from Iraq will not have much effect. The role played by the United States was unique in opposing the Iraqi takeover of Kuwait, in orchestrating United Nations condemnation and sanctions, and finally in leading an international coalition in a brief, devastating war against Iraq. However, if the United States proves unable to sustain a long-term commitment, or if regional states are unwilling or unable to collaborate in the maintenance of it, then Iraq will eventually find ways to reassert strength within the region. Under such circumstances, the regime of Saddam Husayn (or a

---

<sup>44</sup>Though higher oil prices would help the Saudis, an attempt by Saddam to increase his influence over any part of the peninsula to consolidate the oil reserves and increase the price would be regarded as a threat by the nervous Saudi regime.

successor regime with comparable interests and values) will continue to threaten both long-term regional stability and the prevailing Persian Gulf oil regimes. Even in the absence of this threat, there would remain internal and external sources of instability, for example Islamists and the uncertain nature of Iran's role, nonetheless, Saddam and Iraq represent a demonstrably significant danger to their neighbors.

In conclusion the long-term pattern of the oil market, along with the broader stability of the Middle East, depends on a complex interplay of elements that are economic, political, and military. Such factors as the fate of the Ba'athist regime of Saddam Husayn, the availability of oil revenues to finance a rearming of Iraq, the durability of the U.S. commitment to regional security, the role of Saudi Arabia and the stability of its regime, the pattern of long term oil and energy demand outside the region, increasing Russian and other sources of oil production, and the risk of renewed warfare within the region can all interact. In other words, there exists such a myriad of influences on the oil market that it is difficult to forecast. Nevertheless, most analysts predict steady or even decreasing oil prices at least until the turn of the century. This prospect is not very encouraging to the Saudi regime whose future becomes more precarious as the price of oil drops.





## **V. CONCLUSIONS**

In conclusion, decreasing oil prices in the 1980s and 1990s have significantly weakened the stability of the ruling regime in Saudi Arabia. If as most experts agree the price of oil remains flat, then the regime could be on the verge of collapse.

Ultimately, as long as the United States remains committed to the security of the ruling regime in Saudi Arabia, then the possibility of an external threat disrupting political stability in Saudi Arabia is small. However, if an Islamist threat arises internally, such as what happened to the Shah of Iran in the late 1970s, there is little that the United States can do to protect the ruling regime. In this case, the monarchy faces a serious dilemma, how to reform economically while not giving up any political power.

### **A. POSSIBLE SCENARIOS**

A number of scenarios could possibly occur in the kingdom. First, the monarchy could maintain the present situation of authoritarian rule while granting concessions to the Islamists, hoping that these reforms will be enough to appease these groups. Or the King could resort to political repression, using the coercive power of the state to keep himself in power and suppress opposition. Israel, Syria and Egypt have all

successfully used repression against opponents in the region. Singapore is another example of a country that is led by a strong leader who uses repression against opponents while modernizing the country. Repression would be a dangerous choice for the King, since he uses Islamic symbols to justify his regime by proclaiming to be the custodian of holy places, cracking down on internal Islamic groups would undoubtedly hurt the legitimacy of the regime.

The third choice would be to implement real political reforms.<sup>45</sup> This would mean that the monarchy would have to share some of its political power with other groups. In the past, political reforms from authoritarian governments have led to the demise of those governments, i.e., the Soviet Union and Iran. There is an old saying in the Middle East, "a reforming monarchy is the last monarchy." Needless to say, sharing power is probably the last thing the monarchy will do.

Faced with an impossible situation and no easy solutions, the future for the Saudi monarchy looks dismal. Presently, the Islamist groups are only calling for political reform. However, if the oil market remains depressed and social conditions continue to deteriorate, and the Islamists continue to see the regime as corrupt and straying away from the tenets of Islam,

---

<sup>45</sup>Either policy, reform or repressive, would likely spill over Saudi borders and have a negative impact on the stability of regimes in neighboring countries.

the likely situation may be some kind of Islamic takeover.

## **B. CONSEQUENCES FOR OTHER COUNTRIES**

### **1. GCC States**

The effects of an Islamist takeover would be more dramatic on the other countries on the Arabian Peninsula than the United States. First, for the other members of the Gulf Cooperation Council (GCC), the future would be bleak. All of these countries Kuwait, Bahrain, Oman, Qatar, and the United Arab Emirates are also led by monarchs or shaykhs. An Islamic takeover in Saudi Arabia not only sets a bad precedent for these small countries, but it also directly affects their national security. All of these countries have two things in common, small populations and enormous natural resources. These two factors make them an inviting target from hostile outside powers such as Iran and Iraq. Historically, Saudi Arabia has been the protector of these countries from other outside powers. If the supportive regime in Saudi disappears, then the opportunity for Iran, Iraq or Saudi Arabia itself to prey on these tiny, weak countries becomes a likely scenario.

### **2. United States**

The main American national interest in the region is the continued easy access to inexpensive oil. In the short run, an Islamic takeover would probably produce an anti-American regime

and may disrupt the flow of oil and cause prices to skyrocket. Ironically, the majority of the oil in the region would be under control of the three indigenous superpowers of the region, (Iran, Iraq and Saudi Arabia) all hostile to the United States. However, unlike in the past, the threat of anti-American regimes running up the price of oil for any length of time is not very likely. With Saudi Arabia refusing to act as the "swing producer" and Kuwait coming back on line, as well as, Iraq and Russia beginning to produce more oil, there is an abundance of oil available in the world. So unlike the past when political variables dictated the price of oil, the international market will now set the price. More significantly, anti-American groups not only have to sell the oil to the West, but they are willing to. For example, Iran is the most anti-American regime, but their recent dealings this year with the American oil company CONACO prove that they are more than willing to do business with the West. It was not the Iranians who terminated the deal with CONACO, it was the Clinton administration that refused to allow the American firm to do business with Iran.

### C. IMPLICATIONS FOR AMERICAN POLICY

The United States should not overreact to internal instability problems in Saudi Arabia. Like in "revolutionary" Iran, oil will continue to be sold, regardless of the future political outcome. With that stated, one of the secondary interests of the United States should be the sustained political stability on the peninsula. More specifically, the United States should avoid becoming a factor itself, that ignites political instability. If an internal crisis arises in the kingdom, then there is little the U.S. can do to aid the Saudis. On the other hand, the United States can help by adopting foreign policies that do not directly or indirectly apply unnecessary political pressure on the regime. For example, two of the tenants of the American National Security Doctrine are support for human rights and the promotion of democracy throughout the world. The United States should encourage the Saudis to respect the human rights of their citizens and expatriate workers residing in the country.

However, the United States should not push for a liberal democracy in a country that does not possess any of the necessary pre-requisites. Saudi Arabia does not have an advanced economic system, a vast and/or stable middle class or the tradition from which democracy has evolved. The likely outcome would be the "one man, one vote, one time" kind of

election.

Next, the United States needs a more even-handed Middle Eastern policy. The Saudis, like many other Arab countries, would like to see the Palestinian problem disappear, so they are willing to support the ongoing peace talks. Irrational, blind support for Israel just turns public opinion against the United States in the Arab world, which in turn, puts more pressure on regimes that are friendly to the United States, i.e., the Saudis.

Third, the United States should not force Saudi Arabia to bail out its sagging defense industry. Arms sales become a problem for internal stability when vast resources spent on arms purchases are perceived as cutting into domestic social spending and hurting the local economy. Not only are massive arms purchases seen as made at the expense of other, more immediate needs, but they make a mockery of U.S. proposals to control the arms race in the region between Iraq, Iran and Saudi Arabia.

The best solution for the United States is to encourage the Saudis to become more efficient with the high tech weapons they have, instead of spending billions on further sophisticated Western weapons.

Finally, the United States should not push for increased military presence in Saudi Arabia. The Middle East is a region that for centuries has been dominated by external powers. First, the Ottoman Empire and then the British Empire both

colonized areas on the peninsula for their own agendas. For this reason, people are suspicious of any outside influence in their country, especially from the West whose culture is so different from their own. Military bases and presences in Saudi Arabia would serve as lightning rods for domestic opposition to the ruling regime. They allow the Islamists to call into question the sovereignty of the country and accuse the regime of being puppets of the American government.

Recent experience in the Persian Gulf provides the United States with some guidelines for how to go about maintaining a military presence without upsetting domestic stability. First, maintaining a strong naval presence in the Gulf, allows the United States to have powerful strike capabilities, without offending the local populations. Next, properly protected pre-positioned units (bases and ships) significantly reduce the amount of time required to move equipment to the scene. Finally, joint exercises with Saudi-American forces allow the allies to become familiar with one another and carry less political risks than actual bases.





**APPENDIX A: SAUDI ARABIAN GDP (IN BILLIONS OF SAUDI RIYAL)**

<u>YEAR</u>	<u>GDP</u>	<u>YEAR</u>	<u>GDP</u>
1963	8.67	1977	205.06
1964	9.32	1978	225.40
1965	10.40	1979	326.89
1966	11.94	1980	490.94
1967	13.14	1981	561.14
1968	14.66	1982	458.12
1969	15.98	1983	373.88
1970	17.40	1984	351.40
1971	23.42	1985	313.94
1972	28.26	1986	271.09
1973	40.55	1987	275.45
1974	99.32	1988	285.15
1975	136.60	1989	310.82
1976	164.53		

Source: IMF, International Financial Statistics Yearbook-1991  
(Washington, D.C.: IMF, 1992), pp. 640-641.

## APPENDIX B: ISLAMIC PETITION OF MAY 1991

1. The council should consist of individuals with diverse specializations who are known for their sincerity (ikhlas) and upright behavior (istiqamah) and are given total independence to conduct the affairs of the majlis without interference.

2. Elimination of all political, administrative, and economic laws and regulations that contradict the Sharia (religious law).

3. Manifestation of upright conduct, sincerity, and honesty by all state officials and representatives both within and without the country, in addition to their possession of expertise. The violation of these requirements, under any circumstance, will cause the loss of trust (amanah) and will harm the country's interests and reputation.

4. Realization of justice and equality among all members of society in fully attaining their rights and duties regardless of one's high or low status. The exploitation of one's influence to avoid performing one's duties and to violate the rights of others is the cause of the fragmentation of society and its destruction, about which the Prophet warned.

5. Supervision and strict accountability of all officials without exception, especially those who occupy influential positions, and cleansing of the state apparatus of corrupt individuals, regardless of any other consideration.

6. Establishment of justice in the distribution of the national wealth among all social classes. Cancellation of all taxes and reduction of fees, conservation of the nation's resources from waste and exploitation, and the giving of priority attention to immediate needs. The abolition of all forms of monopoly and illegally-acquired wealth, and the lifting of restrictions on Islamic banks. The purification of public and private financial institutions from usury (riba), which is warring against God and his Prophet and causes the disappearance of God's blessing (baraka).

7. The building of a strong army equipped with weapons from diverse sources and the (local) manufacture and improvement of arms. This army's goal is to protect the country and its holy places.

8. Reformation of the mass media in accordance with the kingdom's policy to serve Islam and to reflect the ethics of society, elevating its culture, and purging the media of everything not conforming to these objectives, with a guarantee of its freedom to spread awareness through accurate news and constructive criticism within the limits of the Sharia.

9. Development of a foreign policy to protect the interests of the ummah (Muslim community), avoiding alliances that violate the Sharia, adopting Muslim causes and rectifying the status of embassies to reflect the Islamic nature of this country.

10. The improvement of the country's institutions of religion and religious dissemination, granting them material and human resources, and removing all constraints that might prevent them from fully performing their tasks.

11. Unification of all judicial institutions, granting them total and actual independence. Extension of the authority of the courts over the whole of society and the creation of an independence agency whose task is to oversee enforcement of judicial decisions.

12. Guaranteeing the rights of the individual and society, eliminating all traces of harassment of the people's will and their rights in order to assure human dignity within the Sharia's limitations.

### Appendix C: PROFILE OF THE ISLAMISTS ELITE

The following is a composite profile of leading Salafi personalities drawn from the lists of the 52 signers of the May 1991 letter and the 107 signers of the September 1992 memorandum.

	<u>May 1991</u> 52=TOTAL		<u>September 1992</u> 107=TOTAL	
<u>Regional Affiliation</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Najd	33	63.5	77	72
Hijaz	7	13.5	5	4.7
South	6	11.5	14	13.0
Eastern Province	4	7.7	--	--
Unknown	2	3.8	11	10.3
<u>Occupation</u>				
'Alim	5	9.6	3	2.8
Judge	7	13.5	1	.9
Academic	21	40.4	64	59.8
Businessman	1	2.0	--	--
Religious Institute Head	5	9.6	4	3.7
Mosque Imam	8	15.4	11	10.4
Notable/Teacher	--	--	24	22.4
Unknown	5	9.6	--	--
<u>University Affiliation</u>				
Imam Muhammad bin Saud (Riyadh)	8	15.4	23	21.5
King Saud (Riyadh)	7	13.5	39	36.5
Umm al-Qura (Mecca)	4	7.7	1	.9
Islamic (Medina)	2	3.8	1	.9
Unknown	31	60.0	43	40.2
<u>Education</u>				
Doctorate	20	38.5	52	48.6
Lower Degree	32	61.5	55	51.4

Source: Dekmejian, 636.

# Appendix D: 1990 POPULATION GRAPH

AGE GROUP	POPULATION(in thous)		PERCENTAGE OF POPULATION
	<u>MALE</u>	<u>FEMALE</u>	
0-4	1300	1250	17.8%
5-9	1100	1050	14.7%
10-14	900	900	12.3%
15-19	700	700	9.6%
20-24	600	550	7.9%
25-29	600	400	6.8%
30-34	700	300	6.8%
35-39	600	300	6.2%
40-44	400	300	4.8%
45-49	350	200	3.8%
50-54	250	200	3.1%
55-59	200	150	2.4%
60-64	150	100	1.7%
65-69	50	50	.7%
70 AND UP	100	100	1.4%

Source: Saudi Arabia Country Study, 1993.

Appendix E: PROFILE OF THE MAJLIS AL-SHURA (61=TOTAL)

<u>Regional Affiliation</u>	<u>Number</u>	<u>Percent</u>
Najd	25	41.0
Hijaz	20	32.8
South	6	9.8
Eastern Province	4	6.6
Unknown	6	9.8

<u>Occupation</u>	<u>Number</u>	<u>Percent</u>
Bureaucrats/Technocrats	18	29.5
Academics	17	27.8
Businessmen	8	13.1
Islamic Officials	6	9.8
Journalists/Writers	4	6.6
Military/Police	4	6.6
Generals		
Unknown	4	6.6

Source: Dekmejian, 640.

**Appendix F: CRUDE OIL PRODUCTION OF VARIOUS COUNTRIES (MILLIONS OF BARRELS PER DAY)**

<u>Producers</u>	<u>Dec 1989</u>	<u>Dec 1990</u>	<u>Change</u>
Iraq	3.000 mbd	.425 mbd	-2.575 mbd
Kuwait	2.090	.075	-2.015
Total loss:			-4.590
S.Arabia	5.696	8.570	+2.874
Iran	2.900	3.300	+.400
Libya	1.201	1.500	+.299
Algeria	1.110	1.210	+.100
Qatar	.395	.3700	-.025
U.A.E.	2.406	2.400	-.006
Net Additions from Persian Gulf:			+3.642
Venezuela	1.977	2.340	+1.347
Mexico	2.476	2.660	+.184
Indonesia	1.434	1.550	+.116
Nigeria	1.854	1.950	+.096
Total of Other Major Net Additions:			+.759
Other totals			
Arab OPEC	15.897	14.550	-1.347
P. Gulf	16.529	15.182	-1.347
Total OPEC	24.605	24.280	-.325
World	61.320	60.449	-.871

Source: Data from Lieber article, calculated from Monthly Energy Review (Washington, D.C. : U.S. Department of Energy, Energy Information Administration, March 1991), pp. 118-119.





## BIBLIOGRAPHY

- Al Rasheed, Madawi. Politics in an Arabian Oasis: The Rashidi Tribal Dynasty. London: I.B. Taurus, 1991.
- Al Yassini, Ayman. Religion and State in the Kingdom of Saudi Arabia. Boulder: Westview, 1985.
- Apostolou, Andrew. "Never Mind the Cost." The Middle East. Feb 1992, n208, p. XIV.
- Beblawi, Hazem. "The Rentier State in the Arab World." The Arab State. Ed. Giacomo Luciani, In-class Reader.
- "Challenge to the House of Saud." The Economist. October 8, 1994 v. 333 n7884, p. 41.
- Chaudhry, Kiren Aziz. "The Price of Wealth: Business and State in Labor Remittance and Oil Economies." International Organization. World Peace Foundation and MIT: 1989. Vol. 43, 1, Winter 1989.
- Cockburn, Leslie and Andrew. "Royal Mess." The New Yorker. November 28, 1994, pg 54-72.
- Crystal, Jill. The Transformation of an Oil State. Boulder: Westview Press, 1992.
- Dekmejian, R. Hrair. "The Rise of Political Islamism in Saudi Arabia." The Middle East Journal. Middle East Institute, Volume 48, Number 4, Autumn 1994.
- Fandy, Mamoun. "Tribe vs. Islam." Middle East Policy. Middle East Policy Council: Vol III, 1994.
- Gause, Gregory F. III. Oil Monarchies: Domestic and Security Challenges In The Arab Gulf States. New York: Council of Foreign Relations Press, 1994).
- Hedges, Chris. "Saudi Rulers Resisting Pressure From Two Sides." New York Times. February 14, 1993.
- Holden, David and Johns, Richard. The House of Saud. New York: Holt, Rinehart and Winston, 1981.
- Islami, A. Reza S. and Kavoussi, Rostam Mehraban. The Political Economy of Saudi Arabia. Seattle: University of Washington Press, 1984.

- Kechichian, Joseph A. Political Dynamics and Security in the Arabian Peninsula Through the 1990's. RAND, MR-167-AF/A, 1993.
- Lacey, Robert. The Kingdom: Arabia and the House of Saud. New York: Avon Books, 1981.
- Lieber, Robert J. "Oil and Power After the Gulf War." International Security. Summer 1992, Volume 17:1, p. 155-175.
- Looney, Robert E. "The Gulf War and the Price of Oil: Prospects for the Medium Term." The Journal of Social, Political and Economic Studies. Volume 17, Numbers 3 & 4, Fall/Winter 1992, pg 273-301.
- Luciani, Giacomo (ed.). The Arab State. Berkeley: University of California Press, 1990.
- Murphy, Kim. "Saudi Arabia's Exiles Challenge a Closed Society: The Dissents want the Kingdom to be More Democratic and More Islamic." Los Angeles Times. July 19, 1994.
- Nyrop, Richard F., ed. Area Handbook for Saudi Arabia. Washington DC: U.S. Government Printing Office, 1993.
- Richards, Alan, Dr. "Toward A Political Economy of Islamism: Grievances and Collective Action," unpublished manuscript, April, 1995.
- Safran, Nadav. Saudi Arabia: The Ceaseless Quest for Security. Cambridge: Harvard University Press, 1985.
- Stevens, Paul. Oil and Politics: The Post-War Gulf. London: A Middle East Programme Report of the Royal Institute of International Affairs, 1992.
- Vance, David. "The Oil Market in the Long Run: Economic Fundamentals vs. Political Factors." United States Department of State Intelligence Report, 1994.

# INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center..... 2  
Cameron Station  
Alexandria, Virginia 22304-6145
2. Library, Code 52..... 2  
Naval Postgraduate School  
Monterey, California 93943-5101
3. Glenn Robinson, Code NS/RB..... 1  
Naval Postgraduate School  
Monterey, CA 93943-5002
4. Robert Looney, Code NS/LX..... 1  
Naval Postgraduate School  
Monterey, CA 93943-5002
5. Maria Moyano, Code NS/MM..... 1  
Naval Postgraduate School  
Monterey, CA 93943-5002
6. Chairman, Code NS..... 1  
Department of National Security Affairs  
Naval Postgraduate School  
Monterey, CA 93943-5100
7. Colonel Jerry Thompson..... 1  
JCS, J-5  
The Pentagon, VA 20318
8. HQ, US CENTRAL COMMAND..... 1  
Att: CC J-5 (Maj. Gordon)  
7115 South Boundary Blvd  
McDill AFB, FL 33621-5101
9. Lt. James R. Midkiff..... 2  
148 W. Wilson Street  
Mt. Airy, NC 27030
10. Kathy Goins..... 1  
1169 S. Franklin Rd.  
Mt. Airy, NC 27030
11. Onorio E. Catenacci..... 1  
696 Essex Dr.  
Rochester Hills, MI 48307